

SUMMARY HUMAN RESOURCE ASSESSMENT FOR THE MINISTRY OF FINANCE¹

A. Background

1. The Republic of the Marshall Islands' (RMI) Fiscal Management Act 1990² defines the responsibilities of the Ministry of Finance (MOF) as follows: "All revenue and fiscal functions of the Government of the Republic of the Marshall Islands shall be administered by the Department of Finance, including revenue, tax and duty collection and accounting; fund and treasury maintenance, security and accounting; disbursement, accounts receivable and expenditure accounting; budget control; and all data processing and other assets related to the foregoing."

B. Staffing Situation

2. The MOF faces severe constraints in meeting its responsibilities. As of June 2017, the actual headcount at the MOF was 78. There were 23 vacant positions. Informal interviews with MOF management suggest that there is a shortage of budgetary resources to recruit for many of these positions. Moreover, the MOF performs many functions that are split across several ministries including the Economic Policy Planning and Statistics Office, the Ministry of Foreign Affairs, and other line ministries which adds to their workload.

3. The MOF has a Secretary, and four Assistant Secretary positions (for Accounting and Administration; Budget and Procurement; Customs, Treasury, Revenue and Taxation; and the Ebeye Finance Office). However, the position of the Assistant Secretary for Customs, Treasury, Revenue and Taxation is vacant since 2014. A Performance Management Unit and an Internal Auditor position reporting to the Secretary were established in 2017. There is insufficient coordination between the MOF office in Majuro and the Ebeye Finance Office, and the functional relationships between them are unclear.

4. Functions performed by the various sections of the MOF are quite rudimentary. The Budget section focuses on monitoring and control of government spending, certifying payment requests, and compiling all government agency budgets for approval by the Budget Coordination Committee. Little or no budget analysis is performed at the MOF.³ There is no sub-section or unit dedicated to budget forecasts despite the obligation to analyze the RMI's long term fiscal situation as per the RMI's Fiscal Responsibility Bill.⁴ The Procurement section focuses on processing payment requests and purchase orders, handling reception and delivery of goods, and maintaining an assets registry. There is no procurement forecast or procurement plan. The assets registry does not include planning for maintenance for large assets, and therefore, there is no forecast for assets maintenance costs. The Treasury section focuses only on receiving taxes and fees, making deposits in MOF bank accounts and issuing checks to suppliers and staff. Bank accounts reconciliations are left with the banks, and cash-flow forecasts are done by the Accounting section. The Tax section performs tax audits, and issues business licenses, tobacco

¹ This assessment was prepared under Asian Development Bank. 2013. *Strengthening Public Sector Management in the North Pacific*. Manila (TA 8581-REG). It is based on field interviews with Ministry of Finance (MOF) management and staff, and review of available data and documentation.

² Financial Management Act 1990, article 106.

³ Although the position titles indicate the presence of "budget analysts" in the MOF, their main duties are related to controlling the compliance of payment requests with various funds sources requirements.

⁴ The Bill includes provisions for enhanced fiscal responsibility and debt management. It stipulates deadlines for presentation of the Government's report on its fiscal strategy to the parliament, along with the content of such a report. It also indicates that the long-term fiscal position and forecasts should be presented to the parliament. The Bill gives to the Secretary of Finance the power to request from government entities the information deemed necessary to enable preparation of these documents.

and alcohol licenses and other import licenses.⁵ There is a significant backlog of tax audits. The Customs section checks parcels, cargo and containers, to minimize delays in release of goods, leaving little time for other tasks.

5. Interviews with MOF management suggest other areas of concern. Frequent absenteeism and delayed arrival in office by employees could be resulting in productivity losses equivalent to about 10 full time positions a year. This is aggravated by extensive use of smartphones and internet for personal reasons by employees during office hours.

C. Employee Information

6. There are critical gaps in managing MOF employees' information. There is an absence of employees' records at the MOF as records are kept at the Public Service Commission (PSC), and access to the MOF's own employees' records is not facilitated by existing system. The reliability and completeness of information in the PSC records are causes for concern, in the absence of a comprehensive and reliable computerized staff database.

7. The MOF does not have standard Job Descriptions (JD) for most positions. Available JDs are restricted to one page each, regardless of the complexity of the job, as per PSC formats. This limits the description of responsibilities, qualifications and skills. There is no room to describe Key Performance Areas associated with the job, the number and profile of employees to be supervised, and frequency and scope of reporting. This JDs need to be upgraded in line with international best practice formats to become a useful human resource management tool.

D. Educational Qualifications

8. Based on data available in June 2017, the educational qualifications of the 78 MOF staff (including management) are as follows.

Table: Highest Educational Qualifications for Ministry of Finance Staff

Education Level	Specialty	Female Staff	Male Staff
Master's degree	Business administration	2	1
	Law	1	0
Bachelor's degree	Accounting	3	0
	Business administration	0	3
	Entrepreneurship	1	0
	Law	0	0
	Degree not completed	0	3
College diploma	Accounting	0	4
	Accounting and Information Technology	1	0
	Business administration	8	8
	Computer sciences	0	2
	Liberal arts	2	7
	Psychology	0	1
	Theology	0	1
	Degree not completed	4	3
High School		9	14
Total		31	47

Source: Ministry of Finance and Public Service Commission records, Majuro.

⁵ Usually business licenses and import licenses are issued by Trade/Commerce/Industry departments, and not MOF. Likewise, controlling imports should fall under the responsibility to Customs, and not tax audit sections.

9. Across all levels, 41.0% of MOF staff have college diplomas or university degrees in accounting, computers, and business administration, which are considered most relevant to their functions by MOF management. The Secretary possesses a Master's degree. The Assistant Secretaries in position (para. 3) have college diplomas, of which two are in liberal arts. Assistant Secretaries are newly appointed and do not have significant experience in high level accounting/financial analysis, and very little experience in high level management positions. Of the twelve section/division heads (including the Ebeye Finance Office), only one has a university degree. Five hold college diplomas in relevant fields (business administration, computers, accounting), four hold college level diplomas in liberal arts, and two are high school graduates. At the execution level, 25 of 62 employees have relevant education (business administration, computers, accounting): 7 at the bachelor's level and 18 at the college level. Others either have degrees or diplomas in unrelated fields, or are high school graduates.

10. Given the absence of clear JDs and terms of reference (para. 7), it is not possible to assess existing documentation to match qualifications and job requirements. However, informal interviews with management staff reveal that employees are seldom able to perform beyond their basic duties. Most MOF staff do not have the appropriate educational backgrounds for the positions they hold. There are also indications that even the limited requirements in existing JDs have not been followed for the recruitment of several employees.

11. Interviews with MOF management suggest that they are well aware of the mismatch between educational qualifications and job requirements. They emphasized the importance of management training, to better equip themselves for their own managerial responsibilities. Among MOF staff in general, the priority areas for training they identified were: (i) basic and advanced accounting; (ii) fiscal and tax legislation; (iii) budget analysis and forecast; and (iv) advanced computer skills. Weaknesses in reading and writing English, communication, and customer service approaches were also areas for concern.

12. Relevant experience and knowledge may bridge the gap in educational qualifications, but it requires functional and practical training. There is no coaching/mentorship program at the MOF. Newly recruited staff come into the job, attempting to replicate the previous incumbent's tasks as best as they can. This approach does not necessarily lead to best outcomes or improved performance. Even the management level staff are stretched, having to focus mainly on day-to-day matters, often stepping in when their staff are unable to perform basic tasks.

E. Human Resources Upgradation Plan

13. The proposed project will offer hands-on functional training to MOF staff through on-the-job training as well as more structured training sessions provided by the Reform Coordination Unit (RCU) consultants. As part of the terms of reference, the RCU's human resources team member will support the preparation and subsequent implementation of a human resources plan to upgrade MOF skills over the medium term.⁶ This plan will be used by the RCU to facilitate development partner coordination and donor funding for capacity upgradation within the MOF.

14. This assessment clearly indicates the need for change along multiple dimensions. A combination of ways to upgrade MOF skills and capacity is expected to be proposed under the human resources upgradation plan.

⁶ The Australian Volunteers International expects to field a short-term consultant starting 2017 to help develop a human resource upgradation plan, and the World Bank also expects to fund capacity building courses and programs for MOF staff.

- (i) Following a full review of business processes and standard operating procedures in the MOF, it will be important to develop JDs based on international best practices, and facilitate the implementation of revised JDs for staffing and recruitment.
- (ii) Staff could be offered evening programs corresponding to their requirements, at the College of Marshall Islands or the University of South Pacific. Preliminary discussions suggest that both educational institutions can support medium-term MOF capacity building through existing programs or customized ones.
- (iii) The MOF has sent several employees abroad for short training sessions/seminars, some funded by development partners. However, the expected results were not always achieved, and sending individuals usually did not create the critical mass necessary to induce organizational change. Delivering group training is considered more useful and efficient, and efforts should be focused on group sessions.
- (iv) The MOF should offer development programs for its managers, defining their roles and expectations from them in terms of planning, organizing, directing and controlling. Managers can be funded to attend courses offered by public universities and private firms for executive and middle level management.
- (v) Measures to support the movement of women into management positions should be included in the human resource upgradation plan.⁷ The RMI's Public Service Regulations do not contain any specific discussion of gender issues (beyond provision of maternity leave), and the plan could form the basis for further engagement on this issue.⁸

15. Going forward, the assessment for the MOF suggests that there is a case for a government-wide strategy to optimize staffing. This could include efforts to decrease workload through business processes reengineering, fill existing vacancies based on a workload analysis, review salary structures and scales, and resolve the attendance and late arrival problems. This will require government commitment and partner support.

⁷ Although women make up 39.7% of MOF staff, they occupy only 3 of 16 management positions in the MOF (across the Majuro and Ebeye Finance offices) that are filled as of June 2017.

⁸ Public Service Commission. 2008. *Public Service Regulations of the Republic of the Marshall Islands*. Majuro.